

A BILL TO BE ENTITLED

AN ACT

relating to a pilot program to improve student loan default rates and financial aid literacy among postsecondary students.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter C, Chapter 61, Education Code, is amended by adding Section 61.0763 to read as follows:

Sec. 61.0763. STUDENT LOAN DEFAULT PREVENTION AND FINANCIAL AID LITERACY PILOT PROGRAM. (a) In this section, "career school or college" has the meaning assigned by Section 132.001.

(b) Not later than January 1, 2014, the board shall establish and administer a pilot program at selected postsecondary educational institutions to ensure that students of those institutions are informed consumers with regard to all aspects of student financial aid, including:

(1) the consequences of borrowing to finance a student's postsecondary education;

(2) the financial consequences of a student's academic and career choices; and

(3) strategies for avoiding student loan delinquency and default.

(c) The board shall select at least one institution from each of the following categories of postsecondary educational institutions to participate in the program:

(1) institutions of higher education;

1 (2) private or independent institutions of higher
2 education; and

3 (3) career schools or colleges.

4 (d) In selecting postsecondary educational institutions to
5 participate in the pilot program, the board shall give priority to
6 institutions that have:

7 (1) a student loan default rate of more than 20
8 percent; or

9 (2) a negative trend in the institution's three-year
10 student loan default rate as compared to the institution's cohort
11 default rates reported by the United States Department of
12 Education.

13 (e) The board shall adopt rules for the administration of
14 the pilot program, including rules governing the selection of
15 postsecondary educational institutions to participate in the pilot
16 program consistent with the requirements of Subsection (d).

17 (f) The board may contract with one or more entities to
18 administer the pilot program according to criteria established by
19 board rule.

20 (g) Not later than January 1 of each year, beginning in
21 2016, the board shall submit a report to the governor, the
22 lieutenant governor, and the speaker of the house of
23 representatives regarding the outcomes of the pilot program, as
24 reflected in the federal student loan default rates reported for
25 the participating institutions.

26 (h) This section expires December 31, 2020.

27 SECTION 2. The Texas Higher Education Coordinating Board

1 shall adopt rules for the administration of Section 61.0763,
2 Education Code, as added by this Act, as soon as practicable after
3 this Act takes effect. For that purpose, the coordinating board may
4 adopt the initial rules in the manner provided by law for emergency
5 rules.

6 SECTION 3. This Act takes effect immediately if it receives
7 a vote of two-thirds of all the members elected to each house, as
8 provided by Section 39, Article III, Texas Constitution. If this
9 Act does not receive the vote necessary for immediate effect, this
10 Act takes effect September 1, 2013.